

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
RUSHVILLE TOWNSHIP
RUSH COUNTY, INDIANA
January 1, 2006 to December 31, 2006



FILED
03/21/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	David Hasecuster Michael Justice	03-01-05 to 12-31-06 01-01-07 to 12-31-10
Chairman of the Township Board	Michael Buckley John Megee	01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF RUSHVILLE TOWNSHIP, RUSH COUNTY, INDIANA

We have examined the financial information presented herein of Rushville Township (Township) for the period of January 1, 2006 to December 31, 2006. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

February 12, 2007

RUSHVILLE TOWNSHIP, RUSH COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 48,174	\$ 41,509	\$ 24,179	\$ 65,504
Dog	432	207	132	507
Township Assistance	79,400	16,332	30,821	64,911
Firefighting	<u>67,284</u>	<u>36,402</u>	<u>54,238</u>	<u>49,448</u>
Totals	<u>\$ 195,290</u>	<u>\$ 94,450</u>	<u>\$ 109,370</u>	<u>\$ 180,370</u>

The accompanying notes are an integral part of the financial information.

RUSHVILLE TOWNSHIP, RUSH COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

RUSHVILLE TOWNSHIP, RUSH COUNTY EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Township. Errors included unposted interest, unposted receipts, checks charged to the wrong fund, and checks recorded in the wrong amount. Additionally, the Township's records did not add correctly for the individual funds, nor did the individual funds add to the total fund balance.

Supporting documentation for some disbursements was not presented for examination, or was incomplete or inconsistent. Cancelled check copies returned with the monthly bank statements were not retained and presented for examination.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ALTERED CHECKS

The Township uses checks with duplicate copies. The payee on 46 duplicate checks that were recorded in the funds ledger presented for examination did not agree with the payee on the original checks presented and paid by the bank. All 46 original checks paid by the bank were written to, and endorsed by, David Hasecuster. The total amount of the 46 checks is \$20,952.62.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

David Hasecuster, former Trustee, was asked to repay the Township \$20,952.62. (See Summary, page 12)

RUSHVILLE TOWNSHIP, RUSH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IMPROPER CLAIMS

Eight checks were issued to David Hasecuster, former Trustee, that contained improper documentation for that disbursement. Documentation presented for examination included retail cash register tapes with the transaction date cut off, but paid by a credit card with an expiration date of June 2002, two and one-half years before David Hasecuster took office. Also included was a cash register tape with the top of another cash register tape covering the transaction date of June 28, 2002, two and one-half years before David Hasecuster took office.

The eight deceptive claims totaled \$1,031.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

David Hasecuster, former Trustee, was asked to repay the Township \$1,031. (See Summary, page 12)

PERSONAL EXPENSES

Fifteen checks were written from August of 2005 to December of 2006, for goods and services purchased by David Hasecuster, former Trustee, for personal use. Purchases included fuel for his personal vehicle, payment of his home water and sewer utility service, eye exam and eyeglasses, emergency equipment for his personal vehicle, and various other items. The total amount of the 15 checks paying for personal expenses is \$2,636.86.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

David Hasecuster, former Trustee, was asked to repay the Township \$2,636.86. (See Summary, page 12)

OVERPAYMENT OF SALARY

David Hasecuster, former Trustee, took office March 1, 2005, and served through December 31, 2006. The salary for the Trustee in the approved budget for 2005 was \$5,000. Mr. Hasecuster served ten months of the year, and was entitled to a gross salary of \$4,166.67. The gross salary paid to Mr. Hasecuster for 2005 was \$14,666.54, an overpayment of \$10,499.87. The salary for the Trustee in the approved budget for 2006 was \$5,600. The gross salary paid to Mr. Hasecuster for 2006 was \$10,624.94, an overpayment of \$5,024.91. The total overpayment for both years is \$15,524.78.

David Hasecuster, former Trustee, was asked to repay the Township \$15,524.78. (See Summary, page 12)

Indiana Code 36-6-6-10 states in part: "The township board shall set: (1) Salaries; (2) Wages; (3) Rates of hourly pay; and (4) Remuneration other than statutory allowances; of all officers and employees of the township . . ."

RUSHVILLE TOWNSHIP, RUSH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts and invoices.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Fire Fighting Fund	2006	<u>\$ 9,238</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

PAYROLL DEDUCTIONS

Payments to some employees were made without payroll deductions for taxes. Checks were issued, but records of payments made to the Indiana Department of Revenue and the U.S. Treasury were not presented for examination. Form W-2 for David Hasecuster did not agree with actual wages paid. No 2006 payments to the Indiana Department of Revenue and the U.S. Treasury were made until October 2006. No W-2 forms have been issued to employees for 2006.

RUSHVILLE TOWNSHIP, RUSH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PENALTIES, INTEREST AND OTHER CHARGES

Information presented for examination indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid prior to the due date of the invoice, resulting in late payment fees.

Additionally, payments for withholding taxes were not paid timely. As a result, penalties and interest were paid to the Internal Revenue Service and Indiana Department of Revenue.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Officials or employees of the Township had money due from the Township, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

RUSHVILLE TOWNSHIP, RUSH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

REPORTS NOT FILED

The 2005 and 2006 forms 100R were not filed with the State Board of Accounts. Additionally, the Annual Reports for 2005 and 2006 were not filed with the State Board of Accounts.

Each year during the month of January each township trustee must complete a Certified Report of Names, Addresses, Duties and Compensation of Public Employees Form 100R and send same properly certified to the State Examiner of the State Board of Accounts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

The annual report shall be prepared, verified, and filed with the State Board of Accounts within 30 days after the close of each fiscal year. The report must be published, within four weeks after the third Tuesday after the first Monday in January, one time in accordance with Indiana Code 5-3-1. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory or record of capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

EXAMINATION COSTS – CONDITION OF RECORDS AND PERSONAL CHARGES

The State of Indiana incurred additional audit fees in the investigation of the missing funds. The State of Indiana is requesting reimbursement from David Hasecuster, former Trustee, of audit fees incurred in the amount of \$8,180.90.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

RUSHVILLE TOWNSHIP, RUSH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 6, 2007, with Michael Justice, Trustee. The official concurred with our findings.

On February 6, 2007, a message was left on the home phone of David Hasecuster, former Trustee, requesting a meeting to discuss the contents of this report on February 12, 2007. The phone call was not returned, and David Hasecuster did not meet at the designated place and time for the exit conference.

RUSHVILLE TOWNSHIP, RUSH COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
David Hasecuster, former Trustee:			
Altered Checks, page 6	\$ 20,952.62	\$ -	\$ 20,952.62
Improper Claims, page 7	1,031.00	-	1,031.00
Personal Expenses, page 7	2,636.86	-	2,636.86
Overpayment of Salary, page 7	15,524.78	-	15,524.78
Examination Costs - Condition of Records and Personal Charges, page 10	<u>8,180.90</u>	<u>-</u>	<u>8,180.90</u>
Totals	<u><u>\$ 48,326.16</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 48,326.16</u></u>

AFFIDAVIT

STATE OF INDIANA)
)
RUSH COUNTY)

We, Robin White and Mike Wright, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of Rushville Township, Rush County, Indiana, for the period from January 1, 2006 to December 31, 2006, is true and correct to the best of our knowledge and belief.

Robin White

Mike Wright
Field Examiners

Subscribed and sworn to before me this 15th day of March, 2007

Spencer K. Sheehan
Clerk of the Circuit Court